

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /092 W

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R 131819Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7212

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMCONSUL BELFAST

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 00511

E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: TRADE UNIONS AND THE GOVERNMENT: IS THE
HONEYMOON OVER?

REF: LONDON'S 166

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1. BEGIN SUMMARY: FOR SOME TIME, THE LABOR GOVERNMENT

HAS BEEN SENDING OUT WARNING SIGNALS TO THE TRADE UNIONS, EXHORTING THEM TO KEEP WITHIN THE SOCIAL CONTRACT. ON THE WEEKEND, CHANCELLOR HEALEY APPEARED TO REINTERPRET THE CONTRACT IN THE FACE OF AN EVER DEEPENING ECONOMIC CRISIS AND SPELLED OUT THE CHOICES: FOR MANY WORKERS, EITHER REDUCTION IN WAGE INCREASES (WHICH HAS BEEN VIEWED BY TRADE UNION LEADERS AS PAY CUTS) OR UNEMPLOYMENT. FOR THE TRADE UNION LEADERSHIP, THIS WAS A CHOICE BETWEEN THE DEVIL AND THE DEEP BLUE SEA, AND THEIR REACTION WAS QUICK, SHARP, AND ANTAGONISTIC. ALTHOUGH THE TWO PARTNERS IN THE SOCIAL CONTRACT ARE BY NO MEANS LOCKED IN BATTLE, THE DIFFERENCES IN APPROACH WHICH HAVE SURFACED SO FAR SUMMON UP AGAIN THE COLD WAR SPECTRE WHICH SO PLAGUED THEIR RELATIONS IN THE 1966-1970 PERIOD. END SUMMARY

2. CHANCELLOR HEALEY, SPEAKING ON FRIDAY NIGHT (JANUARY 10), SAID THAT "IT IS FAR BETTER THAT MORE PEOPLE SHOULD BE IN WORK, EVEN IF THAT MEANS ACCEPTING LOWER WAGES ON AVERAGE, THAN THOSE LUCKY ENOUGH TO KEEP THEIR JOBS SHOULD SCOOP THE POOL WHILE MILLIONS ARE LIVING ON THE DOLE. THAT IS WHAT THE SOCIAL CONTRACT IS ALL ABOUT.'. BUT FOR TUC LEADERS LIKE JACK JONES, LEN MURRAY, HUGH SCANLON AND OTHERS, THAT WAS PRECISELY NOT WHAT THEY THOUGHT THE CONTRACT WAS ALL ABOUT. ON THE CONTRARY - LEN MURRAY HAD ALREADY WARNED THE GOVERNMENT LAST WEEK THAT THE TUC WOULD NOT ACCEPT A HIGH LEVEL OF UNEMPLOYMENT AS THE ANSWER TO THE ECONOMIC CRISIS AND CALLED FOR A MEASURE OF ECONOMIC REFLATION TO AVOID THE PROBLEM. AND AS FOR HEALEY'S REMARKS, JONES AND SCANLON IMMEDIATELY REJECTED HIS PRESCRIPTION AS UNACCEPTABLE AND SAID THAT WHAT THE COUNTRY NEEDED WAS MORE INVESTMENT AND NOT UNEMPLOYMENT. SCANLON CALLED HIS SUGGESTION "ECONOMIC NONSENSE" ALTHOUGH JONES ACKNOWLEDGED THAT A CERTAIN AMOUNT OF SHORT WORKING MAY BE UNAVOIDABLE.

3. THERE APPEARS TO BE A SHARP DIVISION WITHIN THE CABINET AS WELL. MICHAEL FOOT, SECRETARY OF STATE FOR EMPLOYMENT, IN A SPEECH TODAY BEFORE THE INDUSTRIAL SOCIETY, MADE IT CLEAR THAT ONLY THE PARTIES TO THE LIMITED OFFICIAL USE

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SOCIAL CONTRACT (THE TRADE UNIONS AND THE LABOR PARTY MEMBERS OF THE TUC-LABOR PARTY LIAISON COMMITTEE) HAVE THE POWER TO REWRITE THE SOCIAL CONTRACT. HE APPEARED TO BE SIDING WITH THE TRADE UNIONISTS, ALTHOUGH HE DID NOT RULE OUT THE POSSIBILITY THAT CHANGES AND AMENDMENTS COULD BE REACHED WITHIN THE LIAISON COMMITTEE.

4. IT IS SOMEWHAT IRONIC THAT AS THE DEBATE GROWS MORE

INTENSE, CURRENT ACTUAL UNEMPLOYMENT FIGURES ARE UN-
AVAILABLE BECAUSE OF A STRIKE OF THE GOVERNMENT'S STATI-
STICAL COMPILERS. THE LAST FIGURES FOR THE UK WERE 653,
256 (2.8 PERCENT) TOTALLY UNEMPLOYED, BUT A TUC LEADER,
CYRIL PLANT, TOLD US TODAY HE THOUGHT THE NUMBER COULD
HAVE RISEN TO OVER 900,000 IF SHORT-TIME WORKERS ARE
INCLUDED. EACH COUNTRY SEEMS TO HAVE A DIFFERENT WORRY
THRESHOLD INSOFAR AS UNEMPLOYMENT IS CONCERNED. IN THE
UK, THE PANIC BUTTON IS MARKED: ONE MILLION UNEMPLOYED.

5. NO ONE DOUBTS THAT THE PROBLEM IS SERIOUS AND GROWING
WORSE, BUT AS IN OTHER INDUSTRIALIZED COUNTRIES THE
FUNDAMENTAL PROBLEM IS HOW TO DEAL WITH IT. THERE ARE

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CLEAR DIFFERENCES OF APPROACH BETWEEN THE GOVERNMENT AND THE TRADE UNIONS, WITHIN THE GOVERNMENT, AND BETWEEN THE UNIONS AND INDUSTRY. THERE IS STILL A STRONG BODY OF OPINION WHICH BELIEVES THAT THE GOVERNMENT WILL BE FORCED TO TAKE DRASTIC ACTION (THAT IS, SET UP STATUTORY LIMITED OFFICIAL USE

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INCOMES POLICY) DESPITE STATEMENTS BY GOVERNMENT MINISTERS TO THE CONTRARY. PROPONENTS OF THIS VIEW DIFFER ONLY ON TIMING: ONE GROUP BELIEVES THAT A FREEZE AND NEW INCOMES POLICY WILL COME IN SPRING - AFTER THE CURRENT ROUND OF WAGE CLAIMS HAS BEEN COMPLETED AND BEFORE THE BEGINNING OF THE ANNUAL TRADE UNION CONFERENCE. ANOTHER GROUP BELIEVE THIS DECISION WILL BE MADE IN THE AUTUMN AFTER A JUNE REFERENDUM ON EC MEMBERSHIP IS OUT OF THE WAY -- ON THE GROUND THAT THE GOVERNMENT CAN PRESCRIBE ONLY ONE BITTER PILL AT A TIME. (SOME MEMBERS OF THIS SCHOOL BELIEVE THAT THE ONLY WAY IN WHICH THIS TOUGH POLICY CAN BE UNDERTAKEN IS THROUGH ESTABLISHMENT OF A GOVERNMENT COALITION CONSISTING OF LABOR MODERATES AND CONSERVATIVES).

6. A SECOND SCHOOL OF THOUGHT ARGUES THAT THE GOVERNMENT WILL BE SPLIT DOWN THE MIDDLE AND THE PARTY WILL BE SHARPLY DIVIDED, IF IT REVERSES ITSELF AND RETURNS TO A STATUTORY INCOMES POLICY WHICH HAS PROVEN UNSUCCESSFUL. THIS SCHOOL OF THOUGHT DOES NOT EXCLUDE THE POSSIBILITY OF THE GOVERNMENT TAKING MEASURES SHORT OF INCOMES CONTROL, EITHER THROUGH THE TAX OR PRICE STRUCTURE, OR OTHER TECHNIQUES. A THIRD SCHOOL OF THOUGHT IS SOMEWHAT "LAI-SSEZ-FAIRE" IN OUTLOOK AND BELIEVES THAT GROWING UNEMPLOYMENT WILL ACT AS AN ANTIDOTE IN ITSELF -- BY NATURALLY CUTTING WAGE CLAIMS.

7. IT IS NOT YET CLEAR WHICH SCHOOL WILL PREVAIL. BUT THERE IS NO DOUBT THE GOVERNMENT COULD BE FACED WITH A POSSIBLE SPLIT SIMILAR TO THAT WHICH DEVELOPED IN 1966-1970 PERIOD BETWEEN THE THEN LABOR GOVERNMENT AND THE TUC. (BARBARA CASTLE, THEN SECRETARY OF STATE FOR EMPLOYMENT, STILL BEARS SCARS FROM THIS AFFRAY). A

MEETING OF THE TUC-LABOR PARTY LIAISON COMMITTEE IS
SCHEDULED SOON AND THE AVOIDANCE OF SUCH A SCHISM IS
LIKELY TO BE A FIRST ORDER OF BUSINESS.

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